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Collaborative Research Support Program

Land Redistribution in KwaZulu-Natal: An Analysis of Farmland Transactions from 1997 until 2002

S.R.D. Ferrer and A.K. Semalulu

Agricultural Economics, University of Natal, Pietermaritzburg

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Department of Agricultural and Applied Economics,
University of Wisconsin-Madison
Tel: (608) 262-5538
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ABSTRACT

Census surveys of land transactions sponsored by BASIS I&II show that 178,000 hectares of the Province's commercial farmland transferred to previously disadvantaged South Africans over the period 1997-2002. This represents almost 3.5 per cent of the farmland originally available for redistribution in 1994. While the average rate of redistribution at 0.5% per annum falls short of government's target (2.0% per annum), the launch of its "Land Redistribution for Agricultural Development" (LRAD) program in August 2001 had a dramatic impact on land redistribution in 2002. In KwaZulu-Natal, the rate of land redistribution doubled and, for the first time since 1997 when the surveys commenced, transactions financed solely from government grants redistributed more land than did privately financed transactions (28,624 hectares versus 22,863 hectares). In addition, 14 farms were financed with a combination of LRAD grants and private mortgage loans representing a new mode of redistribution. On average these 14 farms were larger and of better agricultural quality than those purchased privately. At this early stage, LRAD has been much more successful at engaging financial institutions than the earlier SLAG program. It has also been more successful in targeting women. Seven of the 14 co-financed farms were purchased by women, either as sole owners or married co-owners.

1. INTRODUCTION

The deracialisation of land holding in South Africa is viewed as an urgent imperative for political stability and growth of the economy. At the beginning of the 1990's, it was estimated that 12 million black rural people lived on only 17.1 million hectares of land, whilst 60,000 white commercial farms occupied 86.2 million hectares (Baber, 1991: 54). This highly skewed distribution of land in South Africa was legally entrenched by the Natives Land Act of 1913. This Act designated about eight per cent of the country's agricultural land as Native Reserves, which became the only areas that could be legally farmed by Africans. With the transition to democracy in 1994, an African National Congress (ANC)-led government initiated a land redistribution programme by offering Settlement/Land Acquisition Grants (SLAG) to previously disadvantaged South Africans to purchase formerly white-owned farms on a willing buyer-willing seller basis. A means test applied to SLAG applicants precluded individuals with a monthly household income greater than R1,500. Consequently, the relatively wealthy had to purchase land privately. The objective of the grant programme was to redistribute 30 per cent of the country's commercial farmland (about 25 million hectares) to previously disadvantaged South Africans within five years (ANC, 1994).

By the end of 2000, the SLAG redistribution programme had transferred about 780,407 hectares to previously disadvantaged households, which represented only three per cent of the 25 million hectares that the government had initially hoped to redistribute during this period. The government, through the Ministry of Agriculture and Land Affairs (MALA), responded by introducing a new redistribution programme in 2001, Land Redistribution for Agricultural Development (LRAD), aimed at transferring 30 per cent of white-owned farmland to previously disadvantaged South Africans over 15 years (MALA, 2001). In addition, at least one-third of the land redistributed by LRAD is intended to benefit women.

Means testing was abandoned under the LRAD programme. Instead, the size of the grant awarded to a beneficiary depends on the amount of equity and debt capital the applicant is able to contribute to the enterprise. A minimum own contribution of R5,000 (comprised of savings, loan finance and own labour or "sweat equity"), is matched with a grant of R20,000. Higher own contributions are matched with higher grants[1]. Aspiring farmers have been encouraged to purchase land by combining an LRAD grant with equity and mortgage loan finance. Although the programme was introduced during August 2001, no LRAD-assisted farmland transfers were recorded in KwaZulu-Natal until 2002.

The U.S. Agency for International Development (USAID) sponsored BASIS Collaborative Research Support Programme has monitored government (SLAG) and private farmland transactions in KwaZulu-Natal since 1997 (Graham & Lyne, 1999; Lyne & Darroch, 2003). This study augments these previous analyses of commercial farmland transactions by analysing the Deeds of Transfer recorded in KwaZulu-Natal during 2002. The primary focus of this paper is to examine the initial performance of LRAD. The study also aims to examine the response by lending institutions to LRAD, and to examine the characteristics of farmland acquired by previously disadvantaged females compared to their male counterparts.

This paper is structured as follows: Section 2 gives an overview of the process used to identify land transactions that transferred ownership from previously advantaged to previously disadvantaged people. This is followed by a discussion of the results from the 2002 census survey. The paper ends with conclusions and some policy implications to help government meet its goal of redistributing farmland in order to promote political stability and facilitate economic growth.

2. DATA SOURCES

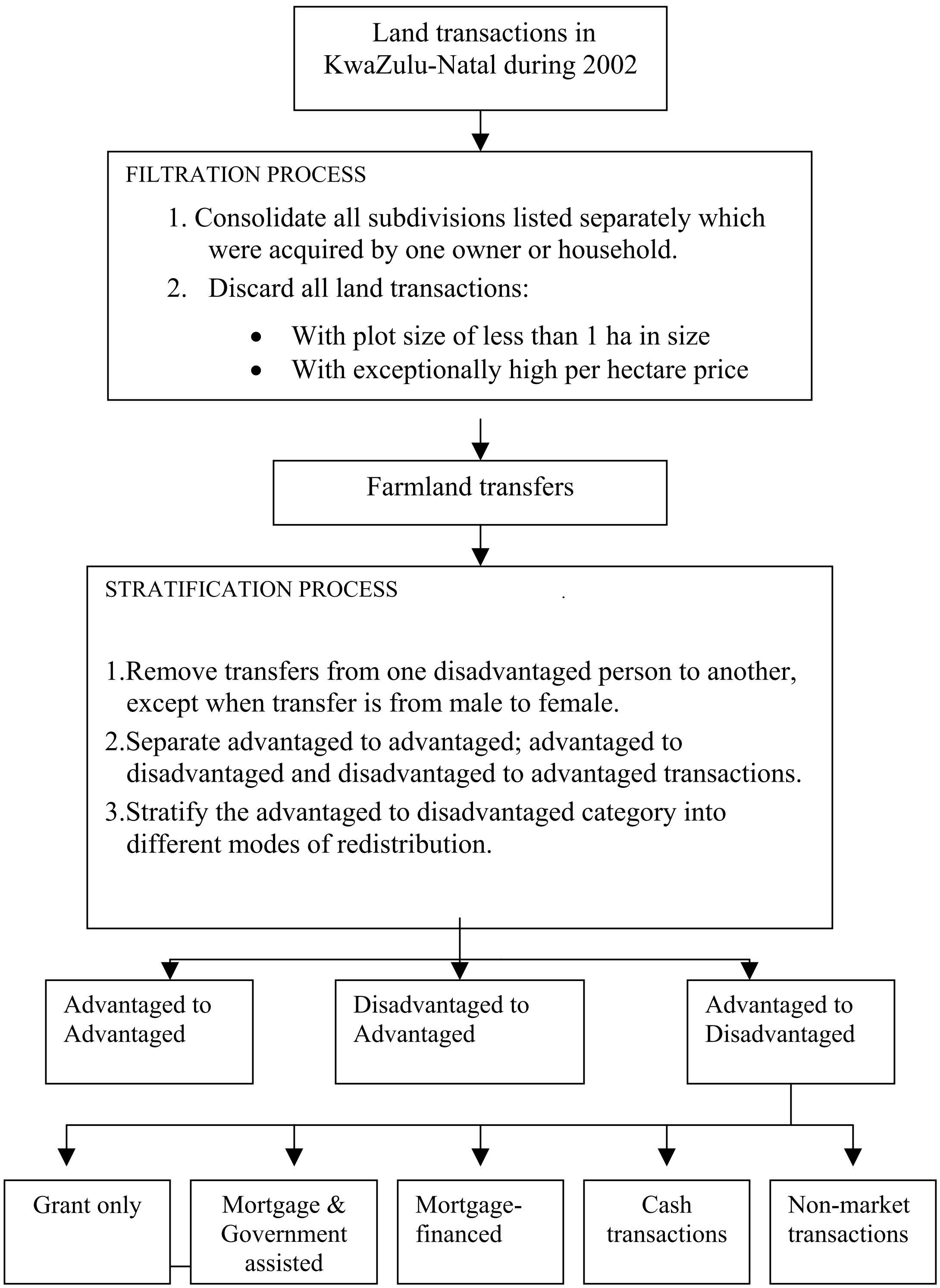
Data for the study were drawn from annual census surveys of the Deeds of Transfer recorded for farmland in KwaZulu-Natal from 1997 to 2002. Lyne and Darroch (2003) previously analysed data from 1997–2001 census surveys. Land transactions recorded by the Deeds Registry in 2002 were filtered and stratified by race, gender and mode of land acquisition (see Figure 1)[2]. Under the filtration process, all transactions listed separately by the Deeds Registry for each subdivision of land, but acquired by the same owner, were consolidated. Then all transactions involving areas smaller than one hectare and those with per hectare prices exceeding that commanded by the best quality agricultural land in KwaZulu-Natal (R 30,000) were removed in an attempt to exclude transfers of rural land to residential and industrial uses.

Transactions involving land transfers from one formerly disadvantaged owner to another were removed unless the land transferred from males to females. The remaining farmland transfers were then classified as 'advantaged to advantaged', 'advantaged to disadvantaged' and 'disadvantaged to advantaged' based on the race and gender of the previous and new

1 The maximum LRAD grant of R100,000 requires an own contribution of R400,000.

2 The stratification of 2002 land transactions differed from the stratification applied to the 1997-2001 census surveys (see Graham & Lyne, 1999) in order to investigate transfers financed with a combination of LRAD grant and private mortgage loans.

owners. The ‘advantaged to disadvantaged’ transactions were then categorized into five strata according to mode of land acquisition, namely **grant only**[3], **mortgage and grant** financed**,** **mortgage** financed, **cash** purchases and **non market** transfers.



3 Grant only refers to land transfers partially or entirely financed with government SLAG or LRAD grants but without additional loan finance.

Figure 1: Filtration and stratification of land transaction census data in KwaZulu-Natal, 2002.

The term 'advantaged' refers to legal and juristic persons that had the right to transact in land prior to 1994 (i.e. whites, government departments and white-owned corporate entities). The 'disadvantaged' group comprises of those persons excluded from land markets on the basis of racial segregation (i.e. blacks, Indians and coloureds). In addition, transfers from previously disadvantaged men to previously disadvantaged women were retained within the previously disadvantaged category so that the definition of 'disadvantaged' refers to all individuals who were previously excluded from land markets on the basis of racial and, to some extent, gender segregation. Lyne and Darroch (2003) note that this process is not entirely accurate because race and gender are established primarily on the basis of the names of the parties transacting farmland. As a result, the true annual rate of land redistribution in KwaZulu-Natal may be understated.

3. THE RATE OF LAND REDISTRIBUTION

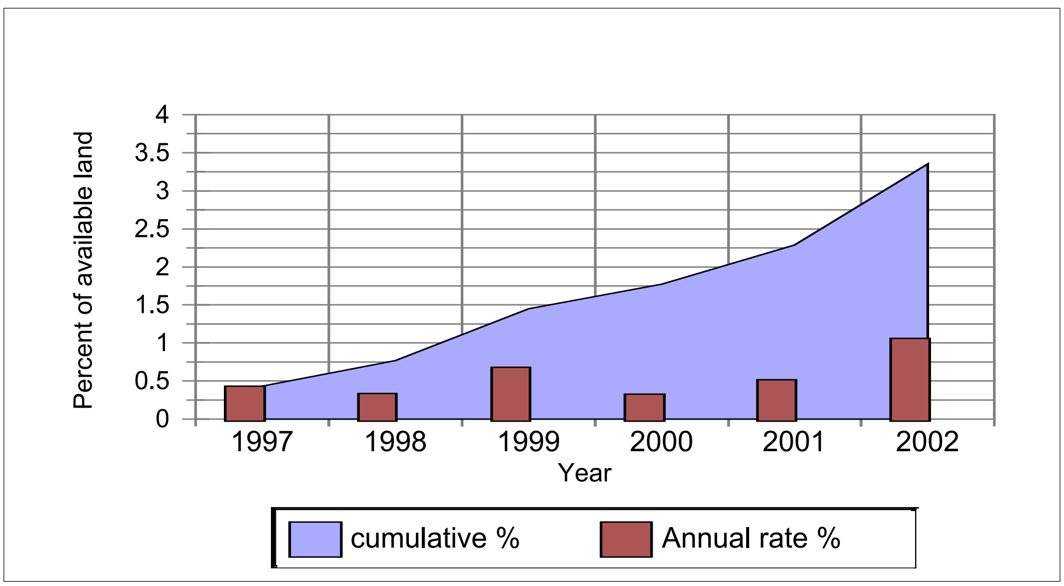
The total area of all farmland transferred to new owners in KwaZulu-Natal annually during 1997-2002 is presented in Table 1. At the time of South Africa's political democratisation in 1994, there were some 5.3 million hectares of land available for redistribution in KwaZulu-Natal (Lyne & Darroch, 2003), comprised of commercial farmland and state owned land, including public protected nature conservation areas. It is estimated that 2,167,822 hectares, or 40 per cent, of this land transferred to new owners (advantaged and disadvantaged groups) during 1997-2002. The total area of farmland transacted in KwaZulu-Natal during 2002 is similar to the mean annual area transacted during the preceding five years.

The annual rate of farmland redistribution was computed by expressing the area acquired by previously disadvantaged entrants as a percentage of the area originally available for redistribution in KwaZulu-Natal. Trends in the rate of land redistribution are illustrated in Figure 2. Transfers to previously disadvantaged South Africans accounted for 177,895 hectares representing about 8.2 per cent of total farmland transferred, or 3.4 per cent of the total area originally available for redistribution. The rate of farmland redistribution declined to its lowest level of 0.33 per cent in 2000 following a moratorium on the SLAG programme early that year. The rate of redistribution improved to 0.52 per cent in 2001 after the moratorium was lifted and, following the launch of LRAD, doubled to1.06 per cent in 2002.

Table 1: Estimated annual rates of land redistribution in KwaZulu-Natal, 1997-2002

Study year	1997	1998	1999	2000	2001	2002
1 Area of farmland originally available for redistribution (Ha)	5,308,559	5,308,559	5,308,559	5,308,559	5,308,559	5,308,559
2 Area of land transacted (Ha)	372,995	603,522	306,433	300,799	267,233	316,840
3 Area of farmland acquired by, or for, disadvantaged people (Ha)	22,934	17,772	36,109	17,345	27,324	56,411
4 Rate of land redistribution (%) ([3/1] * 100)	0.43	0.34	0.68	0.33	0.52	1.06
Cumulative rate of land redistribution (%)	0.43	0.77	1.45	1.78	2.30	3.36

Figure 2: Estimated annual and cumulative rates of farmland redistribution to previously disadvantaged owners in KwaZulu-Natal, 1997-2002



Despite this recent improvement, the rate of land redistribution is still well short of the government's target. Possible reasons for this are discussed in section 5. To reach a level of 30 per cent over 15 years would require an average transfer of about 106,000 hectares per annum in KwaZulu-Natal, about twice the amount transferred during 2002.

4. CHARACTERISTICS OF FARMLAND ACQUIRED BY ADVANTAGED AND DISADVANTAGED OWNERS.

Table 2 compares the mean area of all farms, and the mean price of all purchased farms, acquired by previously advantaged and disadvantaged people in KwaZulu-Natal over the period 1997-2002. The table also compares the weighted price of land purchased by members of these groups. All prices are expressed in real terms using 2000 as the base year. The t-values test for differences in the mean characteristics of farms acquired by the advantaged and disadvantaged groups.

Table 2: Characteristics of farmland acquired by previously advantaged and disadvantaged owners in KwaZulu-Natal, 1997-2002 (at constant 2000 prices).

Farm characteristic	Year	Advantaged	Disadvantaged	t-value
Mean farm area (Ha) for all farms transacted	1997	365	125	3.6***
	1998	1,007	100	2.4**
	1999	287	114	6.7***
	2000	268	109	5.7***
	2001	294	179	3.8***
	2002	329	337	0.18
Mean real price (R) for all farms purchased	1997	1,193,882	532,775	1.4
	1998	754,373	318,086	4.4**
	1999	879,400	312,339	3.4***
	2000	638,808	355,668	3.6***
	2001	652,318	382,006	3.3***
	2002	754,749	518,451	2.8**
Weighted real land price (R/Ha) for all farms purchased	1997	2,554	2,796	
	1998	1,442	1,791	
	1999	2,761	1,678	
	2000	2,337	2,326	
	2001	1,993	1,660	
	2002	2,006	1,159	

Note: *** and ** denote statistical significance at the 1 and 5 percent level of probability, respectively.

During 2002, and for the first time during the 1997-2002 study period, the mean area of farms acquired by the disadvantaged group was not significantly lower than for the advantaged group. Despite this increase in relative farm size, the mean price paid for farms by the previously disadvantaged group remained significantly lower than for the advantaged group. To the extent that the weighted price of land per hectare reflects land quality, the average quality of farmland bought by disadvantaged entrants during 2002 was not only lower than that purchased by the advantaged group, but has also declined relative to the mean quality of farmland purchased by this group between 1997-2001. The moratorium on SLAG during 2000 and 2001 appears to have restricted purchases by groups of disadvantaged people, raising the weighted price paid for land during these two years. After the moratorium was lifted, a backlog of SLAG-assisted purchases was processed during 2002, lowering the weighted price of land purchased by disadvantaged buyers that year. Higher weighted prices paid for land by the disadvantaged group during earlier years of the study may be the result of interest rate subsidies offered by private sugar millers to emerging farmers in 1997 and 1998 to buy high quality sugar-cane farms (Mashatola and Darroch, 2003). Relationships between mode of purchase and characteristics of land acquired by disadvantaged groups are discussed in section 5.

5. MODES OF LAND REDISTRIBUTION

Modes of land redistribution identified in the 1997-2001 census surveys were government SLAG-assisted land purchases, private purchases (mortgage loan and private cash), and non-market transfers (bequests, and donations). In addition to these modes, the 2002 census survey identified land transfers financed using a government LRAD grant combined with own equity and a mortgage loan. Table 3 compares characteristics of farmland acquired by disadvantaged owners for each mode of land redistribution during 1997-2002. Figures 3, 4, 5 and 6 illustrate how these characteristics have varied within the study period. All financial values in Table 3 and Figures 5 and 6 are expressed in constant 2000 prices.

Table 3: Characteristics of farmland acquired by disadvantaged owners by mode of redistribution in KwaZulu-Natal, 1997-2002 (constant 2000 prices)

Farm characteristic	Grant only	LRAD plus Mortgage loan	Private mortgage loan	Private cash	Private non-market	Total
Number of transactions	135	14	200	360	459	1,168
Total area of land (Ha)	73,745	3,404	38,587	44,542	17,617	177,895
Total market value of land (R million)	51.92	14,22	144.87	63.3		274.31
Mean area of farms (Ha)	546	243	193	124	38	
Weighted farmland price (R/Ha)	734	4,176	3,835	1,427		

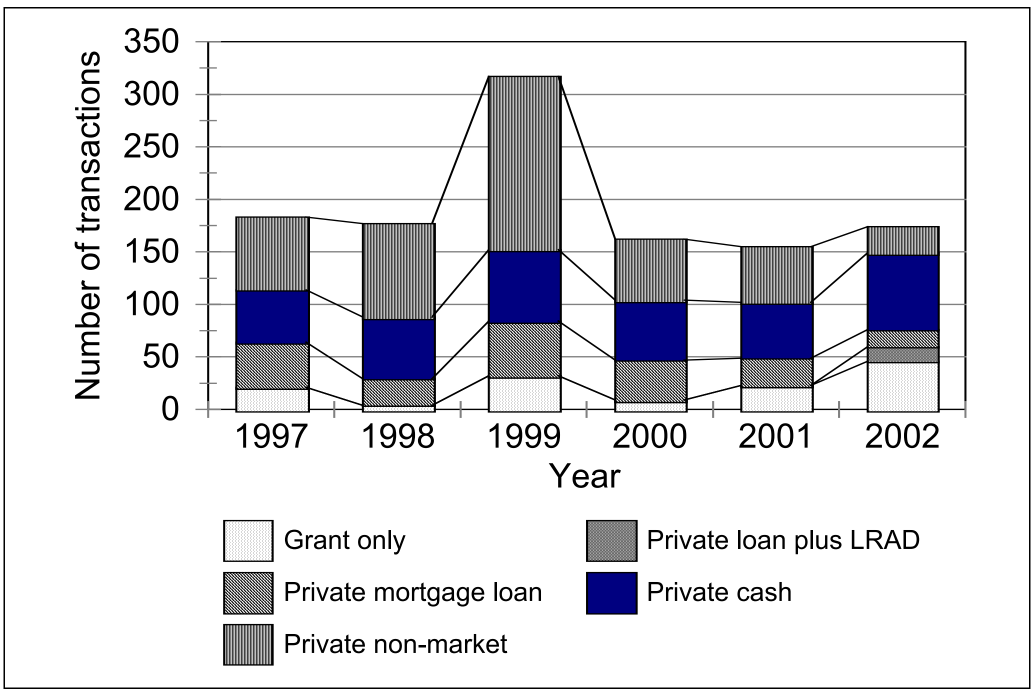
Although farmland purchased only with government grants transferred over 41 per cent of all the land redistributed, these transfers involved land of poor agricultural quality relative to private market transactions. This can be attributed to the high proportion of group purchases under the SLAG programme where the beneficiaries were primarily interested in maximizing land area for residential and grazing purposes. Since August 2001, aspiring farmers have been encouraged to purchase land by combining an LRAD grant with equity and mortgage loan finance. This mode of redistribution accounted for six per cent of the total area acquired by previously disadvantaged owners in 2002. Fourteen farms were acquired using combined grant and loan finance, transferring 3,404 hectares with a market value of about R14.22 million to the previously disadvantaged. At a weighted price of R4,176 per hectare, the quality of farmland redistributed via this mode was significantly higher than that of other government-assisted transfers and cash purchases, and is similar in quality to land purchased privately with mortgage loans. These public-private partnerships in financing land have been further enhanced by the recent recapitalisation of the Land Reform Empowerment Facility (LREF). The LREF improves the risk profile of its target beneficiaries by wholesaling unsubsidised loans with a deferred repayment schedule to commercial banks that lend, on similar terms, to clients financing land purchases or equity-sharing projects.

Ithala Development Finance Corporation (Ithala) financed 11 of these 14 transactions and three were financed by the Land Bank. None were financed by private commercial banks. One of the biggest frustrations voiced by Ithala is that grant funds are not readily accessible, resulting in delays which often cause potential deals to collapse as sellers find other buyers who are not reliant on grants. Apart from wasting Ithala's resources (assessing business plans and preparing grant applications for prospective clients) it seems that the lack of funds is more apparent than real. This anomaly has arisen because the Land Bank, which enjoys the privilege of being the only bank permitted to approve LRAD applications, has not processed many of the deals for which it has approved grants. In financial year 2001/02, the Land Bank received R50 million from the Department of Land Affairs (DLA) to award LRAD grants contingent upon loan funding. In the same period, the Land Bank approved 152 LRAD applications. Of these approvals, only 14 applicants had received their loans and grants by March 2002 (DLA, 2002). Consequently, grant funding allocated to the remaining 138 approvals was unavailable to other banks and remained unspent at the end of the financial year – a situation that will persist if these approved deals eventually collapse. Historical under-spending by the DLA is an ongoing problem. According to Lahiff (2001), the national real level of funding allocated to land reform grants by the Treasury declined by 23 per cent between 1998 and 2001, owing to persistent under-spending of provincial budgets.

The number of land redistribution transactions has remained consistently between 150 and 200 transactions per year throughout the study period, except for 1999 when over 300 redistributive transactions were recorded. Figure 3, however, shows distinct trends in the relative proportions of land transferred by each mode of land redistribution between 1997 - 2002. The number and relative proportion of private non-market and mortgage loan transactions, which respectively account for almost 40 and 18 per cent of all transactions, has decreased since 1999 and respectively accounted for only 15 and nine per cent of transactions during 2002. The decline in the number of transactions financed with mortgage loans since 1999 coincides with the decline in the number of subsidised mortgage loans made to medium-scale sugar-cane growers. By contrast, the moratorium on the SLAG programme reduced the number of government-assisted transfers during 2000 and 2001. The relative proportion of government-assisted transfers increased during 2002, including 14 transactions financed with a combination of LRAD grants, private equity and mortgage finance. The number of private cash transactions per year has remained relatively steady throughout the study period (ranging between 50 and 70).

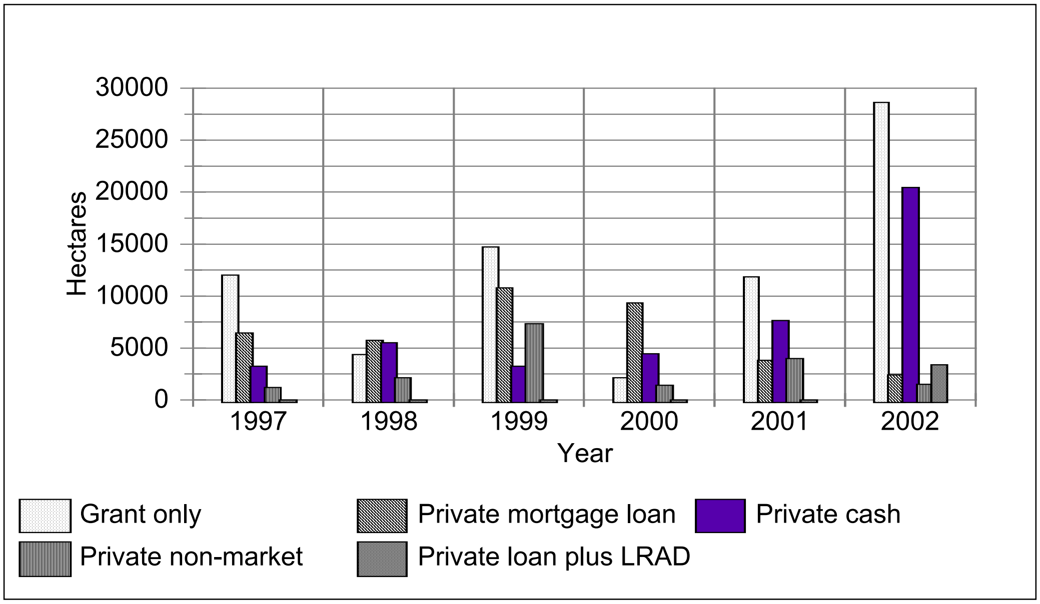
Although non-market transactions are the most numerous, the total area of farmland transferred via these transactions is small relative to market and government-assisted purchases. Over the period 1997–2002 the total area of farmland redistributed by private purchases (83,129 hectares made up of 44,542 hectares via cash purchase and 38,587 hectares via mortgage loans) exceeded that redistributed via government grants (73,745 hectares). Figure 4 shows that the area purchased only with government grants increased steadily after the moratorium on SLAG grants was lifted, peaking in 2002. During 2002 government-assisted transfers redistributed more land than private market purchases (32,028 hectares versus 22,863 hectares). It appears that LRAD is largely responsible for the improved rate of land redistribution observed in KwaZulu-Natal during 2002. Possible reasons for this improvement include decentralization of the powers for implementation and project approval. Provincial governments have now replaced the DLA as the key approval and implementing agencies (MALA, 2001:8). This has shortened the decision chain reducing lengthy delays that hampered the SLAG programme.

Figure 3: Annual farmland transactions by mode of redistribution to disadvantaged owners in KwaZulu-Natal, 1997-2002



The number of transactions financed with mortgage loans peaked in 1999, but dipped sharply in 2001 when no subsidised mortgage loans were offered to medium-scale sugar-cane growers. Historically, the purchase of medium-scale cane farms accounted for a relatively large proportion of land transfers financed with private mortgage loans. The interest rate subsidies provided by sugar millers and administered by Ithala are designed to help new landowners avoid debt-induced cash flow problems in times of high inflation (Mashatola and Darroch, 2003).

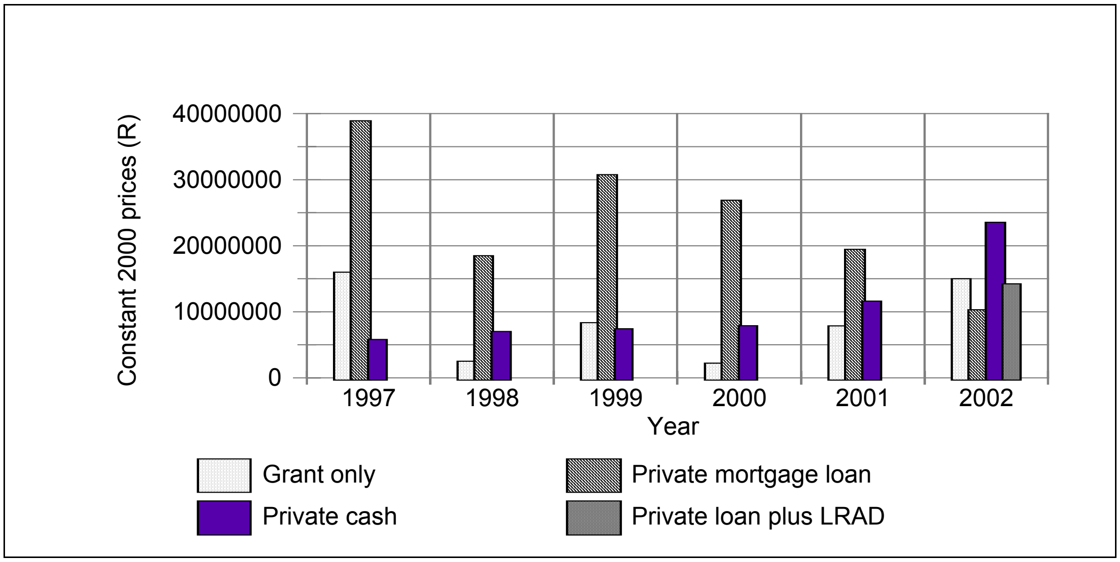
Figure 4: Annual area of land by mode of redistribution to previously disadvantaged owners in KwaZulu-Natal, 1997-2002.



On average, beneficiaries of government grants purchased the largest farms (mean of 546 hectares), while bequests and donations transferred the smallest farms (mean of 38 hectares) to previously disadvantaged South Africans. Within the set of private purchases, the census results during 1997-2002 show that the mean size of farms financed with own cash was small relative to those financed with mortgage loans (119 versus 189 hectares). These observations are consistent with Nieuwoudt and Vink's (1995) argument that buyers with limited equity cannot finance large farms using conventional mortgage loans due to cash flow problems. Instead they pay cash for relatively cheaper farms. The 2002 census survey shows that the size of farms financed with mortgage loans and those financed with a combination of LRAD and mortgage loans were, on average, smaller than those financed with own cash (152 and 243 hectares respectively versus 280 hectares). The farms purchased with cash were of lower quality than those financed with mortgage loans (R1153/ha vs. R4198/ha).

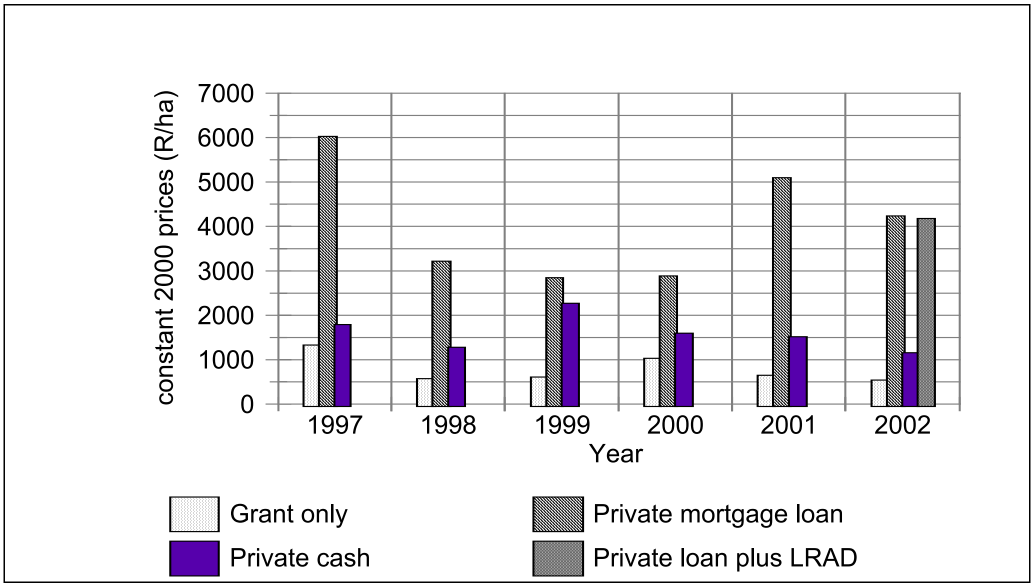
Figure 5 shows the contrast in land wealth transferred by the different modes of redistribution South African in KwaZulu-Natal during 1997-2002. From 1997 to 2001, private mortgage loans redistributed more land wealth than other market transactions. In 2002, mortgage loans (including LRAD-leveraged mortgage loans) continued to redistribute the greatest wealth compared to other market transactions. However, the proportion of land wealth redistributed by government grant-financed transactions increased from an average of 17 per cent during 1997-2001 to 24 per cent in 2002, excluding transactions financed using LRAD leveraged mortgage loans. This reflects the large increase in the number and area of government grant-financed transactions in 2002.

Figure 5: Market value of farmland by mode of land redistribution to disadvantaged owners in KwaZulu-Natal, 1997-2002



Despite considerable recent growth in the wealth transferred through government-assisted land purchases, land financed only with government grants is still of relatively poor agricultural quality. Figure 6 shows that in all years of the study the weighted price of farmland purchased with government grants is substantially lower than for other modes of transfer, and decreased in 2002 after the moratorium on SLAG grants was lifted. In future, as group purchases financed with SLAG are superseded by individual purchases co-financed with LRAD grants and private mortgage loans, it is expected that beneficiaries of government grants will acquire farms of relatively better agricultural quality. In 2002, the weighted price of land co-financed with LRAD grants and mortgage loans was virtually the same as that financed with own equity and mortgage loans. As was intended, LRAD grants were used by some farmers to supplement their own equity contributions, enabling then to access the loan finance required to purchase quality farmland.

Figure 6: Weighted farmland price (R/ha) by mode of land redistribution to previously disadvantaged owners in KwaZulu-Natal, 1997-2002.



6. LAND REDISTRUBUTION BY GENDER TYPE

Table 4 compares land transactions according to gender and mode of land purchase. It shows that women (as sole owners or married co-owners) are well represented in the overall number of transactions involving previously disadvantaged South Africans, particularly those involving bequests. Women accounted for 478 out of 1,159 transactions involving disadvantaged owners (41 per cent) compared to 412 (36 per cent) for men only and 269 (23 per cent) for corporate[4] owners. Of the market transactions, women were well represented in cash-financed transactions, but were under-represented in transactions financed with mortgage loans. In 2002, however, women were involved in 50 per cent of all transactions co-financed with LRAD grants and mortgage loans. This may explain why the quality of land acquired by women in 2002 was higher than in previous census surveys (R4,381/ ha versus R3,040/ha). This also suggests that LRAD targeted women much more effectively than did the SLAG programme and could improve women's access to mortgage loans in the future.

4 A corporate owner is a juristic entity representing the interests of one or more people.

Table 4: Distribution of land transactions by gender in KwaZulu-Natal, 1997-2002

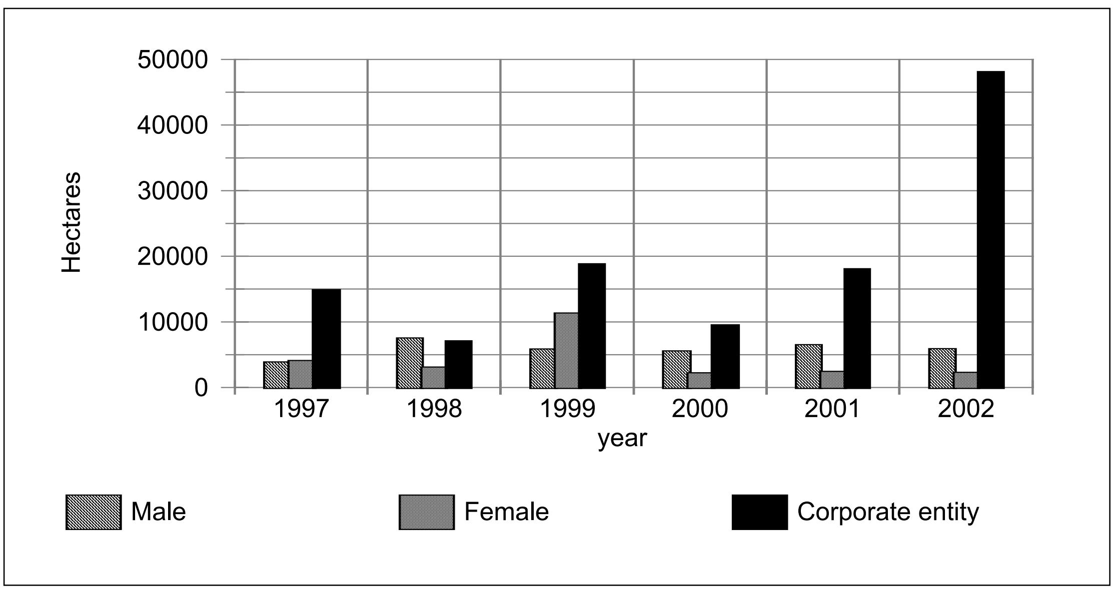
	Male owners	Female owners or married co-owners	Corporate owners
Cases	412	478	269
Grant only (%)	0	0	100
Private cash (%)	43	36	21
Private bond (%)	49	29	22
Private loan plus LRAD grant (%)	43	50	7
Private non-market (%)	32	65	3
All transactions (%)	36	41	23

Table 5 shows that the total area of farmland acquired solely by men during 1997-2002 was higher than that acquired by women as sole owners or married co-owners (35,356 versus 25,615 hectares). Farms acquired by women were also, on average, smaller (53 hectares) than those acquired by their male counterparts (86 hectares) largely because the areas inherited by women tended to be relatively small. Figure 7 shows that with the exception of 1997 and 1999, men purchased almost twice the total area purchased by women. Overall, corporate entrants acquired more land than males and females combined over the six-year study period. In 2002, corporate entities accounted for 85 per cent of the farmland transferred to previously disadvantaged South Africans in KwaZulu-Natal. The gender representation of these corporate entities is not known but it seems likely that they favour men. This is certainly true of the community trusts and communal property associations (CPAs) established by government to represent the interests of beneficiaries that pooled their SLAG grants to purchase land collectively (DLA, 2001). That these groups were primarily interested in maximizing land area for residential and grazing purposes is evidenced by the poor quality of land purchased by corporate entities (R1223/ha) compared to that purchased by men (R2534/ha) and women (R3049/ha).

Table 5: Farmland characteristics by gender in KwaZulu-Natal, 1997-2002 (constant 2000 prices).

Farm characteristics	Male owners	Female owners or married co-owners	Corporate owners
Mean area of farms (Ha)	86 n = 412	53 n = 478	434 n = 269
Total area of land (Ha)	35356 n = 412	25615 n = 478	116696 n = 269
Total market value of purchased land (R million)	80 n =283	55,91 n = 215	137,73 n =255
Weighted land price (R/ Ha)	2534 n = 281	3049 n = 213	1223 n =254

Figure 7: Total area of farmland transacted by category of disadvantaged owners in KwaZulu-Natal, 1997-2002



No grant funded equity-sharing schemes were known to be operating in the Province during the study period (Lyne, 2003). Farmworker equity-sharing schemes (which have the advantage of redistributing wealth and income streams as opposed to just land) could help correct the gender imbalance as women are usually well represented amongst farmworkers. On six of nine equity-sharing projects analysed by Knight and Lyne (2002) in the Western

Cape during 2001, more than 50 per cent of the worker-shareholders were women. Despite the success of these projects in other parts of the country such schemes have not yet taken hold in KwaZulu-Natal.

7. CONCLUSIONS AND POLICY RECOMMENDATIONS

The annual census surveys of farmland Transfer Deeds show that a total of 177,895 hectares or 3.4 per cent of the total area originally available for redistribution was transferred to previously disadvantaged people in KwaZulu-Natal during 1997-2002. This implies an annual transfer of about 0.56 per cent, which is falls well short of the government's target of two per cent per annum. The rate of redistribution rose from 0.5 per cent in 2001 to one per cent in 2002 after the launch of LRAD, However, this is again partially attributable to a backlog of SLAG-assisted transfers being processed during 2002 after a two-year moratorium.

The study also shows that during 2002 transactions financed only with government grants redistributed more land than private purchases (28,624 hectares versus 22,863 hectares). Land wealth transferred to previously disadvantaged households through these grant transactions increased from 17 per cent during 1997-2001 to about 24 per cent in 2002. Fourteen transactions were financed with a combination of LRAD-grants and mortgage finance in 2002. The average area and quality of farms transferred using this mode of redistribution was greater than that financed privately. Early indications are that LRAD has assisted in engaging financial institutions in co-financing previously disadvantaged entrants to purchase their own, high quality farms. These public-private partnerships in financing land have been further enhanced by the recent recapitalisation of the LREF.

Lyne and Darroch (2003) argue that the Subdivision Act, Act 70 of 1970, constrains the subdivision of farms into smaller parcels of land, preventing many emerging farmers from making private purchases. Replacing the Subdivision Act with zoning regulations should increase the supply of smaller, more affordable properties for individual emergent farmers. The delay in repealing the Sub-division Act is attributed to the absence of zoning legislation regulating the conversion of farmland into residential or commercial use (Graham, 2000:19). Although grant transactions are exempt from the Act, costs associated with formal subdivision of agricultural land are prohibitively high. Moreover, the exemption applies only to government-assisted transfers and therefore, does nothing to improve market access for private buyers.

Considering gender issues, women as sole owners or married co-owners accounted for the largest share (41 per cent) of all transactions during 1997-2002, largely because bequests favour women. Also, women are well represented in transactions co-financed with LRAD grants and mortgage loans. This helps to explain why the quality of land purchased by women in 2002 was higher than that for previous census surveys. Nevertheless, previously disadvantaged women gained less land than their male counterparts (25,615 versus 35,356 hectares) and, after removing non-market transactions, they gained much less land wealth compared to their male counterparts (R56 million versus R80 million). There is also concern that women are under-represented in land transactions involving corporate buyers as these transactions accounted for 85 per cent of the area transferred in 2002.

It is encouraging that 50 per cent of the transactions co-financed with LRAD grants and mortgage loans in KwaZulu-Natal during 2002 involved female buyers as owners or married co-owners. This suggests that LRAD is more successful in engaging women and financial institutions in land redistribution than was the SLAG programme during 1997-2001. In addition, policies and programmes that encourage the establishment of farmworker equity sharing schemes in KwaZulu-Natal could help correct the gender imbalance as women are usually well represented amongst farmworkers.

One possible obstacle to land redistribution, voiced by Ithala, is the lack of access to grant funds. This situation has arisen because the Land Bank, the only bank permitted to approve LRAD applications, has not processed many of the deals for which it approved grants. This raises obvious questions about the delays in concluding deals, and the policy decision to deny other banks the privilege of approving LRAD grants for eligible clients whose loan applications have been assessed and found creditworthy.

Future research should ascertain whether improvements in the rate of land redistribution in KwaZulu-Natal during 2002 will be sustained in the future, and determine the extent to which these improvements could be attributed to the LRAD programme. It is also recommended that research should be conducted to compare the rate of land redistribution in KwaZulu-Natal with that achieved in other provinces of South Africa.

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